

Statement of David Berson
Vice President and Chief Economist for Fannie Mae
House Financial Services Committee
Housing and Community Opportunity
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Thank you, Chairman Ney, Ranking Member Waters, and Members of the Committee. My name is David Berson and I am Vice President and Chief Economist for Fannie Mae. I want to thank you for inviting me to testify about this important issue of homeownership affordability in high cost areas and I commend the members of this Subcommittee for your attention to and leadership on this issue.

By most national statistical measures, the past three years have been the best in history for American housing, homeowners, and mortgage finance. The housing boom has reached most regions in the country and included central cities, suburbs, and rural areas. Low mortgage rates and overall record affordability have combined to create 3.2 million more homeowners since 2000, benefiting families and helping energize the nation's economy. And homeownership has been a sound investment. Since 2000, house prices have appreciated on average by about 26 percent nationally.

However, in a growing number of areas, strong housing demand and limited supply has generated even more dramatic price appreciation. Combined with a relatively slow pace of income growth, this is putting homeownership increasingly out of reach for working American families, especially now that interest rates are rising.

Mr. Chairman, in addition to my testimony, I am submitting data for the record that demonstrates this effect and highlights some of the specific areas that are impacted most. To summarize briefly:

- Home price gains closely track income growth in the long run. If home prices rise consistently faster than income, homes will become unaffordable, and demand will drop. Over the past three years, home prices nationwide have appreciated on average by 7.6 percent a year – significantly above the rate of income growth (averaging 4.5 percent over the same period). So far this year, home price gains continue to be strong. In several markets in the east and west coasts, double-digit home price appreciation has dramatically outpaced income growth. These areas may be susceptible to sharp declines in housing demand, especially when mortgage rates continue to rise.
- Although housing affordability remains high nationally, it has become a serious issue for some states. For example, between February and March of this year, the share of households in California able to afford a median-priced home declined by three percentage points, to 21 percent. The California Association of Realtors has recently reported that affordability in the State has fallen to an all time low. The Monterey, Northern Wine Country, Orange County and Santa Barbara County

regions were the least affordable in the state (14 percent of households could afford the median-priced home).

- The problem is most acute in California, New York, and Northeast States such as Massachusetts, Maine, Delaware, New Hampshire, and others. House prices in California increased more than 14 percent last year, while incomes rose by just over 2 percent.
- In New York and New Jersey, house prices increased by over 12 percent in 2003 while incomes rose by just under 2.5 percent. And in Massachusetts, where home prices went up by over 10 percent, incomes increased by almost 2 percent.
- But the problem is wider than that. We see similar trends in Florida, Maryland, Virginia, Minnesota, and even Nevada.
- Currently, the median home price in nine Metropolitan Statistical Areas (MSAs) is above the conforming loan limit. In 1999, that was true in only three MSAs.

These affordability problems emerged in a period of 45-year low interest rates, which helped to offset some of the negative affordability effects of higher prices. The period ahead is likely to be marked by higher interest rates which will erode affordability further even if incomes rise. Over the long-run, home prices and incomes have moved together, and that is our expectation going forward as well. Mr. Chairman, I recently participated in writing a paper for the Homeownership Alliance entitled, "America's Home Forecast: The Next Decade for Housing and Mortgage Finance," that discusses this in greater detail. I will also submit this paper for the record.

In the short-run, however, recent increases in interest rates in response to stronger economic growth and signals from the Federal Reserve of tighter monetary policy will only make affordability an even greater problem.

We are already seeing families shift to Adjustable Rate Mortgages (ARMs), especially interest-only ARMs, in order to be able to afford the purchase of a home. These loans expose homebuyers to greater risk once the initial period of payment stability is over. With short-term interest rates at 45-year lows and likely to rise over the next several years, these homeowners are most exposed to interest rate risks going forward.

Fannie Mae is a private, shareholder-owned company with a public mission to promote and expand homeownership. "Our mission is to tear down barriers, lower costs, and increase the opportunities for homeownership and affordable rental housing for all Americans."

We take our public mission very seriously. Lenders, especially small, local community banks, depend on us to develop new mortgage products, processes and technology solutions so they can serve more families, serve them better, and make the mortgage process faster, easier and cheaper for all involved. Our investments in technology have

increased underwriting flexibilities, expanded markets for our lender partners, and by reducing the cost of originations, enhanced affordability for the home buyer.

This January, Fannie Mae took its mission commitments one step further. We launched our *Expanded American Dream Commitment*, pledging to help 6 million families -- including 1.8 million minority families -- become first-time homeowners over the next decade. With this pledge, we set a goal of raising the minority homeownership rate from the current 49 percent to 55 percent by 2014, with the ultimate goal of closing the gaps between minority homeownership rates and non-minority homeownership rates entirely. Addressing the needs of borrowers in high-cost areas will be crucial to meeting our corporate objectives.

Mr. Chairman, we are very glad to have this opportunity to discuss the very real problems of families living in high cost areas who do not have access to the benefits provided by Fannie Mae and Freddie Mac. As you know, the families who find homeownership unaffordable in these areas are not just low- or moderate-income families, but also middle-income families. Many two-earner households can't afford homes in some of the high-cost areas in the country today.

Congress chartered Fannie Mae to expand access to mortgage credit for all of these households -- low-income and middle-income. In 1992, Congress complemented that mission with explicit requirements that HUD determine a percent of our business that must go to low- and moderate-income families. HUD has recently proposed housing goals for 2005 through 2008, and we welcome their focus on stretching us to lead the market in financing homeownership for low- and moderate-income families and communities.

At the same time, the goals should reflect the likely path of the mortgage market, in order to avoid market distortions and unintended consequences that further limit homebuyers' access to the benefits provided by Fannie Mae and Freddie Mac. Goals set too far above market opportunity could force Fannie Mae and Freddie Mac to restrict access to credit for households and communities that do not meet the goals -- in other words, to allocate credit away from the middle class.

This would hit borrowers in areas with higher housing costs relative to prevailing income levels the hardest. In some high cost areas, like California, less than one-third of all mortgages originated last year met our low- and moderate-income goal. In New York that figure was just over one-third. Should HUD's housing goals force us to limit lending to non-goals borrowers, these high cost areas would be the natural place to ration our business presence.

Again, Mr. Chairman, thank you for holding this hearing, and highlighting a critical issue for millions of families around the nation. For millions of families, homeownership is a first step toward financial security and independence. It's an opportunity to save for the future while putting a roof over your children's heads. We appreciate your concern and

share your commitment to ensuring that the American Dream remains within reach in all parts of this nation.

Growth in Incomes and Home Prices By State

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
United States					
Income.....	27,939	29,847	30,527	30,906	31,632
House Price Index.....	227.61	244.98	263.45	283.60	306.66
Income Growth.....		6.83%	2.28%	1.24%	2.35%
House Price Appreciation.....		7.63%	7.54%	7.65%	8.13%
Alaska					
Income.....	28,100	29,863	31,837	32,799	33,568
House Price Index.....	165	169	179	188	205
Income Growth.....		6.27%	6.61%	3.02%	2.34%
House Price Appreciation.....		2.38%	5.58%	5.33%	8.76%
Alabama					
Income.....	22,722	23,768	24,845	25,548	26,338
House Price Index.....	198.72	205.42	216.80	224.87	232.62
Income Growth.....		4.60%	4.53%	2.83%	3.09%
House Price Appreciation.....		3.37%	5.54%	3.72%	3.45%
Arkansas					
Income.....	21,137	21,926	23,072	23,556	24,289
House Price Index.....	180.49	186.54	196.51	204.60	214.09
Income Growth.....		3.73%	5.23%	2.10%	3.11%
House Price Appreciation.....		3.35%	5.34%	4.12%	4.64%
Arizona					
Income.....	24,057	25,661	26,055	26,360	26,838
House Price Index.....	194.39	206.73	219.84	232.89	250.06
Income Growth.....		6.67%	1.54%	1.17%	1.81%
House Price Appreciation.....		6.35%	6.34%	5.94%	7.37%
California					
Income.....	29,828	32,466	32,892	32,989	33,749
House Price Index.....	248.95	284.08	314.64	356.10	406.37
Income Growth.....		8.84%	1.31%	0.29%	2.30%
House Price Appreciation.....		14.11%	10.76%	13.18%	14.12%
Colorado					
Income.....	30,492	33,371	34,003	33,723	34,283
House Price Index.....	249.37	277.96	300.18	313.84	322.58
Income Growth.....		9.44%	1.89%	-0.82%	1.66%
House Price Appreciation.....		11.46%	7.99%	4.55%	2.78%

Growth in Incomes and Home Prices By State

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Connecticut					
Income.....	38,332	41,495	42,550	42,468	43,173
House Price Index.....	258.68	280.40	306.25	337.72	369.71
Income Growth.....		8.25%	2.54%	-0.19%	1.66%
House Price Appreciation.....		8.40%	9.22%	10.28%	9.47%
District of Columbia					
Income.....	37,030	40,428	45,284	46,800	48,342
House Price Index.....	227.16	259.74	301.49	344.79	390.37
Income Growth.....		9.18%	12.01%	3.35%	3.29%
House Price Appreciation.....		14.34%	16.07%	14.36%	13.22%
Delaware					
Income.....	28,925	30,871	31,494	32,090	32,810
House Price Index.....	260.06	278.26	299.51	325.78	359.77
Income Growth.....		6.73%	2.02%	1.89%	2.24%
House Price Appreciation.....		7.00%	7.64%	8.77%	10.43%
Florida					
Income.....	26,894	28,511	29,247	29,758	30,446
House Price Index.....	196.43	212.33	234.49	259.40	289.58
Income Growth.....		6.01%	2.58%	1.75%	2.31%
House Price Appreciation.....		8.09%	10.44%	10.62%	11.63%
Georgia					
Income.....	26,359	27,989	28,555	28,821	29,442
House Price Index.....	227.86	242.08	259.08	271.18	281.01
Income Growth.....		6.18%	2.02%	0.93%	2.15%
House Price Appreciation.....		6.24%	7.02%	4.67%	3.62%
Hawaii					
Income.....	26,973	28,417	28,690	29,875	30,913
House Price Index.....	228.48	242.66	262.08	285.05	324.01
Income Growth.....		5.35%	0.96%	4.13%	3.47%
House Price Appreciation.....		6.21%	8.00%	8.76%	13.67%

Growth in Incomes and Home Prices By State

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Iowa					
Income.....	25,118	26,554	27,357	28,089	29,043
House Price Index.....	184.24	192.62	202.67	210.01	220.90
Income Growth.....		5.72%	3.02%	2.68%	3.40%
House Price Appreciation.....		4.55%	5.22%	3.62%	5.19%
Idaho					
Income.....	22,786	24,076	24,947	25,476	25,911
House Price Index.....	198.36	205.49	217.53	225.51	235.43
Income Growth.....		5.66%	3.62%	2.12%	1.71%
House Price Appreciation.....		3.59%	5.86%	3.67%	4.40%
Illinois					
Income.....	30,212	32,187	32,782	33,053	33,690
House Price Index.....	234.06	249.59	264.76	280.74	299.59
Income Growth.....		6.54%	1.85%	0.83%	1.93%
House Price Appreciation.....		6.64%	6.08%	6.04%	6.71%
Indiana					
Income.....	25,615	27,134	27,619	28,032	28,783
House Price Index.....	203.96	212.00	222.33	228.68	236.84
Income Growth.....		5.93%	1.79%	1.50%	2.68%
House Price Appreciation.....		3.94%	4.87%	2.86%	3.57%
Kansas					
Income.....	26,195	27,694	28,490	28,905	29,935
House Price Index.....	177.10	186.12	196.47	205.06	214.15
Income Growth.....		5.72%	2.87%	1.46%	3.56%
House Price Appreciation.....		5.09%	5.56%	4.37%	4.43%
Kentucky					
Income.....	22,763	24,414	24,954	25,494	26,252
House Price Index.....	215.27	225.32	236.12	244.89	256.05
Income Growth.....		7.25%	2.21%	2.16%	2.97%
House Price Appreciation.....		4.67%	4.79%	3.71%	4.56%

Growth in Incomes and Home Prices By State

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Louisiana					
Income.....	22,014	23,080	24,517	25,296	26,100
House Price Index.....	157.94	164.12	173.39	182.00	191.60
Income Growth.....		4.84%	6.23%	3.18%	3.18%
House Price Appreciation.....		3.91%	5.65%	4.97%	5.27%
Massachusetts					
Income.....	34,227	37,756	38,945	39,085	39,815
House Price Index.....	386.72	441.82	493.29	553.38	609.22
Income Growth.....		10.31%	3.15%	0.36%	1.87%
House Price Appreciation.....		14.25%	11.65%	12.18%	10.09%
Maryland					
Income.....	31,796	34,257	35,355	36,303	37,331
House Price Index.....	232.68	247.96	269.80	300.76	339.66
Income Growth.....		7.74%	3.21%	2.68%	2.83%
House Price Appreciation.....		6.57%	8.81%	11.48%	12.93%
Maine					
Income.....	24,484	25,972	27,157	28,038	28,831
House Price Index.....	271.01	295.80	324.94	358.78	398.29
Income Growth.....		6.08%	4.56%	3.24%	2.83%
House Price Appreciation.....		9.15%	9.85%	10.41%	11.01%
Michigan					
Income.....	28,095	29,553	29,499	29,816	30,439
House Price Index.....	246.64	264.32	278.17	289.49	301.74
Income Growth.....		5.19%	-0.18%	1.07%	2.09%
House Price Appreciation.....		7.17%	5.24%	4.07%	4.23%
Minnesota					
Income.....	30,106	32,018	32,722	33,322	34,443
House Price Index.....	217.96	240.99	265.34	288.89	315.18
Income Growth.....		6.35%	2.20%	1.83%	3.36%
House Price Appreciation.....		10.57%	10.10%	8.88%	9.10%
Missouri					
Income.....	25,697	27,243	27,932	28,512	29,252
House Price Index.....	203.13	215.35	227.96	241.03	255.07
Income Growth.....		6.02%	2.53%	2.08%	2.60%
House Price Appreciation.....		6.02%	5.86%	5.73%	5.83%

Growth in Incomes and Home Prices By State

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Mississippi					
Income.....	20,053	21,007	21,967	22,550	23,448
House Price Index.....	179.61	187.18	197.01	202.94	209.94
Income Growth.....		4.76%	4.57%	2.65%	3.98%
House Price Appreciation.....		4.21%	5.25%	3.01%	3.45%
Montana					
Income.....	21,585	22,932	24,036	24,831	25,920
House Price Index.....	207.96	218.99	229.92	245.12	266.82
Income Growth.....		6.24%	4.81%	3.31%	4.39%
House Price Appreciation.....		5.30%	4.99%	6.61%	8.85%
North Carolina					
Income.....	25,560	27,071	27,501	27,785	28,235
House Price Index.....	234.26	244.86	257.61	266.41	275.70
Income Growth.....		5.91%	1.59%	1.03%	1.62%
House Price Appreciation.....		4.52%	5.21%	3.42%	3.49%
North Dakota					
Income.....	23,180	25,109	25,830	26,852	29,204
House Price Index.....	160.94	166.13	174.65	184.76	197.12
Income Growth.....		8.32%	2.87%	3.96%	8.76%
House Price Appreciation.....		3.22%	5.13%	5.79%	6.69%
Nebraska					
Income.....	26,465	27,627	28,713	29,182	30,758
House Price Index.....	197.04	204.65	213.21	220.01	229.19
Income Growth.....		4.39%	3.93%	1.63%	5.40%
House Price Appreciation.....		3.86%	4.18%	3.19%	4.17%
New Hampshire					
Income.....	30,380	33,398	33,771	33,985	34,702
House Price Index.....	257.13	294.73	328.54	367.94	404.99
Income Growth.....		9.93%	1.12%	0.63%	2.11%
House Price Appreciation.....		14.62%	11.47%	11.99%	10.07%
New Jersey					
Income.....	35,215	38,372	39,077	39,461	40,427
House Price Index.....	269.49	295.72	326.29	367.94	413.04
Income Growth.....		8.96%	1.84%	0.98%	2.45%
House Price Appreciation.....		9.73%	10.34%	12.76%	12.26%

Growth in Incomes and Home Prices By State

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
New Mexico					
Income.....	21,042	22,134	23,928	24,823	25,541
House Price Index.....	200.09	203.83	213.23	223.14	237.29
Income Growth.....		5.19%	8.11%	3.74%	2.89%
House Price Appreciation.....		1.87%	4.61%	4.65%	6.34%
Nevada					
Income.....	29,184	30,438	30,347	30,559	31,266
House Price Index.....	186.22	195.22	208.56	222.55	250.33
Income Growth.....		4.30%	-0.30%	0.70%	2.31%
House Price Appreciation.....		4.83%	6.83%	6.71%	12.48%
New York					
Income.....	32,816	34,900	35,626	35,805	36,574
House Price Index.....	330.28	361.55	396.11	441.87	495.75
Income Growth.....		6.35%	2.08%	0.50%	2.15%
House Price Appreciation.....		9.47%	9.56%	11.55%	12.19%
Ohio					
Income.....	26,859	28,208	28,627	29,195	29,944
House Price Index.....	213.49	224.07	235.33	243.58	253.73
Income Growth.....		5.02%	1.49%	1.98%	2.57%
House Price Appreciation.....		4.96%	5.03%	3.51%	4.17%
Oklahoma					
Income.....	22,567	24,410	25,447	25,936	26,656
House Price Index.....	143.57	149.71	158.51	165.00	172.10
Income Growth.....		8.17%	4.25%	1.92%	2.78%
House Price Appreciation.....		4.28%	5.88%	4.09%	4.30%
Oregon					
Income.....	26,480	28,100	28,512	28,792	29,340
House Price Index.....	245.82	255.93	269.85	282.97	301.20
Income Growth.....		6.12%	1.47%	0.98%	1.90%
House Price Appreciation.....		4.11%	5.44%	4.86%	6.44%

Growth in Incomes and Home Prices By State

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Pennsylvania					
Income.....	27,937	29,697	30,318	31,116	31,998
House Price Index.....	233.91	244.91	261.90	281.83	304.85
Income Growth.....		6.30%	2.09%	2.63%	2.83%
House Price Appreciation.....		4.70%	6.94%	7.61%	8.17%
Rhode Island					
Income.....	27,459	29,216	30,103	30,859	31,916
House Price Index.....	267.22	299.10	334.78	390.50	455.63
Income Growth.....		6.40%	3.04%	2.51%	3.43%
House Price Appreciation.....		11.93%	11.93%	16.64%	16.68%
South Carolina					
Income.....	23,075	24,426	25,067	25,502	26,132
House Price Index.....	216.11	226.93	240.93	250.20	259.49
Income Growth.....		5.85%	2.62%	1.74%	2.47%
House Price Appreciation.....		5.01%	6.17%	3.85%	3.71%
South Dakota					
Income.....	24,475	25,722	26,876	26,967	29,234
House Price Index.....	193.18	201.97	212.78	222.93	236.40
Income Growth.....		5.09%	4.49%	0.34%	8.41%
House Price Appreciation.....		4.55%	5.35%	4.77%	6.04%
Tennessee					
Income.....	24,898	26,099	26,916	27,611	28,455
House Price Index.....	214.26	221.86	233.26	240.93	249.98
Income Growth.....		4.82%	3.13%	2.58%	3.06%
House Price Appreciation.....		3.55%	5.14%	3.29%	3.76%
Texas					
Income.....	26,250	28,313	28,943	29,039	29,372
House Price Index.....	156.88	166.06	176.36	183.27	188.21
Income Growth.....		7.86%	2.23%	0.33%	1.15%
House Price Appreciation.....		5.85%	6.20%	3.92%	2.70%
Utah					
Income.....	22,393	23,878	24,388	24,639	24,977
House Price Index.....	235.54	242.82	252.37	256.65	260.57
Income Growth.....		6.63%	2.14%	1.03%	1.37%
House Price Appreciation.....		3.09%	3.93%	1.70%	1.53%

Growth in Incomes and Home Prices By State

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Virginia					
Income.....	29,226	31,084	32,328	32,793	33,671
House Price Index.....	226.83	243.39	264.89	289.43	318.34
Income Growth.....		6.36%	4.00%	1.44%	2.68%
House Price Appreciation.....		7.30%	8.83%	9.26%	9.99%
Vermont					
Income.....	25,881	27,680	28,988	29,764	30,740
House Price Index.....	244.68	264.55	285.50	305.09	341.04
Income Growth.....		6.95%	4.73%	2.68%	3.28%
House Price Appreciation.....		8.12%	7.92%	6.86%	11.78%
Washington					
Income.....	30,037	31,780	32,271	32,638	33,332
House Price Index.....	263.30	278.35	294.26	308.16	325.43
Income Growth.....		5.80%	1.54%	1.14%	2.13%
House Price Appreciation.....		5.72%	5.72%	4.72%	5.60%
Wisconsin					
Income.....	27,135	28,573	29,361	30,050	30,898
House Price Index.....	216.89	230.83	242.67	254.45	271.68
Income Growth.....		5.30%	2.76%	2.35%	2.82%
House Price Appreciation.....		6.43%	5.13%	4.85%	6.77%
West Virginia					
Income.....	20,729	21,901	23,068	23,794	24,379
House Price Index.....	165.60	171.22	181.29	189.62	198.93
Income Growth.....		5.65%	5.33%	3.15%	2.46%
House Price Appreciation.....		3.39%	5.88%	4.59%	4.91%
Wyoming					
Income.....	26,536	28,463	30,197	31,021	32,808
House Price Index.....	150.79	159.09	168.21	178.68	191.50
Income Growth.....		7.26%	6.09%	2.73%	5.76%
House Price Appreciation.....		5.50%	5.73%	6.22%	7.17%

"Income" is Per Capita Personal Income from the Bureau of Economic Analysis.
Home Price data from OFHEO Home Price Index (1980 Q1=100).

Growth in Incomes and Home Prices
By MSA for California, New Jersey, New York, Massachusetts

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Albany-Schenectady-Troy NY				
Family Income.....	28,603	30,445	31,553	32,297
House Price Index.....	103.91	108.21	115.17	124.84
Income Growth.....		6.44%	3.64%	2.36%
House Price Appreciation.....		4.14%	6.43%	8.40%
Allentown-Bethlehem-Easton PA-NJ				
Family Income.....	28,106	29,952	30,382	31,073
House Price Index.....	108.71	112.13	119.59	127.83
Income Growth.....		6.57%	1.44%	2.27%
House Price Appreciation.....		3.15%	6.65%	6.89%
Orange County CA PMSA				
Family Income.....	33,093	35,446	36,647	NA
House Price Index.....	127.53	142.67	157.32	NA
Income Growth.....		7.11%	3.39%	NA
House Price Appreciation.....		11.87%	10.27%	NA
Atlantic-Cape May NJ PMSA				
Family Income.....	29,404	31,328	31,511	NA
House Price Index.....	122.46	134.16	147.25	NA
Income Growth.....		6.54%	0.58%	NA
House Price Appreciation.....		9.55%	9.76%	NA
Bakersfield CA				
Family Income.....	19,974	20,931	21,799	22,635
House Price Index.....	101.85	108.78	116.44	128.22
Income Growth.....		4.79%	4.15%	3.84%
House Price Appreciation.....		6.80%	7.04%	10.12%
Bergen-Passaic NJ				
Family Income.....	38,885	42,799	43,856	NA
House Price Index.....	121.91	135.04	148.67	NA
Income Growth.....		10.07%	2.47%	NA
House Price Appreciation.....		10.77%	10.09%	NA
Binghamton NY				
Family Income.....	23,657	25,054	25,319	25,809
House Price Index.....	111.09	114.98	121.56	128.26
Income Growth.....		5.91%	1.06%	1.94%
House Price Appreciation.....		3.50%	5.72%	5.51%
Boston-Cambridge-Quincy MA-NH				

Growth in Incomes and Home Prices
By MSA for California, New Jersey, New York, Massachusetts

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Family Income.....	37,219	41,435	42,501	42,436
House Price Index.....	141.78	162.78	181.11	202.01
Income Growth.....		11.33%	2.57%	-0.15%
House Price Appreciation.....		14.81%	11.26%	11.54%
Buffalo-Niagara Falls NY				
Family Income.....	25,814	27,209	27,618	28,489
House Price Index.....	104.37	107.23	114.07	119.07
Income Growth.....		5.40%	1.50%	3.15%
House Price Appreciation.....		2.74%	6.38%	4.38%
Barnstable-Yarmouth MA NECMA				
Family Income.....	33,557	35,303	36,135	NA
House Price Index.....	141.93	165.44	189.14	NA
Income Growth.....		5.20%	2.36%	NA
House Price Appreciation.....		16.56%	14.33%	NA
Chico-Paradise CA				
Family Income.....	21,240	22,430	23,230	23,944
House Price Index.....	108.25	121.79	135.68	158.34
Income Growth.....		5.60%	3.57%	3.07%
House Price Appreciation.....		12.51%	11.40%	16.70%
Dutchess County NY PMSA				
Family Income.....	28,925	30,987	32,349	NA
House Price Index.....	122.93	136.47	152.95	NA
Income Growth.....		7.13%	4.40%	NA
House Price Appreciation.....		11.01%	12.08%	NA
Elmira NY				
Family Income.....	22,864	24,351	24,252	24,558
House Price Index.....	103.61	111.32	118.72	126.10
Income Growth.....		6.50%	-0.41%	1.26%
House Price Appreciation.....		7.44%	6.65%	6.22%
Fresno CA				
Family Income.....	20,697	21,979	22,592	23,492
House Price Index.....	105.29	110.60	121.81	141.08
Income Growth.....		6.19%	2.79%	3.98%
House Price Appreciation.....		5.04%	10.14%	15.82%
Glens Falls NY				
Family Income.....	22,593	24,197	24,346	25,092
House Price Index.....	106.49	111.92	117.35	129.28

Growth in Incomes and Home Prices
By MSA for California, New Jersey, New York, Massachusetts

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Income Growth.....		7.10%	0.62%	3.06%
House Price Appreciation.....		5.10%	4.85%	10.17%
Jamestown NY				
Family Income.....	20,383	21,419	21,897	NA
House Price Index.....	113.01	118.54	121.87	NA
Income Growth.....		5.08%	2.23%	NA
House Price Appreciation.....		4.89%	2.81%	NA
Jersey City NJ				
Family Income.....	25,950	28,100	28,584	NA
House Price Index.....	123.51	144.56	155.55	NA
Income Growth.....		8.29%	1.72%	NA
House Price Appreciation.....		17.04%	7.60%	NA
Los Angeles-Long Beach CA PMSA				
Family Income.....	28,017	29,605	30,611	NA
House Price Index.....	122.71	133.54	146.61	NA
Income Growth.....		5.67%	3.40%	NA
House Price Appreciation.....		8.83%	9.79%	NA
Middlesex-Somerset-Hunterdon NJ				
Family Income.....	39,400	43,051	43,292	NA
House Price Index.....	116.45	129.00	142.39	NA
Income Growth.....		9.27%	0.56%	NA
House Price Appreciation.....		10.78%	10.38%	NA
Modesto CA				
Family Income.....	22,244	23,506	23,434	23,642
House Price Index.....	111.62	127.47	149.75	168.98
Income Growth.....		5.67%	-0.31%	0.89%
House Price Appreciation.....		14.20%	17.48%	12.84%
Monmouth-Ocean NJ				
Family Income.....	32,730	35,668	36,543	NA
House Price Index.....	122.30	136.77	153.61	NA
Income Growth.....		8.98%	2.45%	NA
House Price Appreciation.....		11.83%	12.31%	NA
Merced CA				
Family Income.....	19,029	19,533	20,302	20,623
House Price Index.....	109.15	128.65	147.49	166.58
Income Growth.....		2.65%	3.94%	1.58%
House Price Appreciation.....		17.87%	14.64%	12.94%

Growth in Incomes and Home Prices
By MSA for California, New Jersey, New York, Massachusetts

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Newburgh NY				
Family Income.....	25,292	26,609	27,343	NA
House Price Index.....	113.48	124.97	138.59	NA
Income Growth.....		5.21%	2.76%	NA
House Price Appreciation.....		10.13%	10.90%	NA
Nassau-Suffolk NY PMSA				
Family Income.....	38,264	40,978	41,559	NA
House Price Index.....	132.06	149.54	167.58	NA
Income Growth.....		7.09%	1.42%	NA
House Price Appreciation.....		13.24%	12.06%	NA
Newark NJ PMSA				
Family Income.....	37,314	41,291	42,550	NA
House Price Index.....	120.76	132.59	145.78	NA
Income Growth.....		10.66%	3.05%	NA
House Price Appreciation.....		9.80%	9.95%	NA
New York-Newark NY-NJ-PA PMSA				
Family Income.....	36,529	39,501	40,450	NA
House Price Index.....	127.84	142.29	157.92	NA
Income Growth.....		8.14%	2.40%	NA
House Price Appreciation.....		11.30%	10.98%	NA
Oakland CA PMSA				
Family Income.....	35,764	40,086	39,963	NA
House Price Index.....	135.06	165.79	182.53	NA
Income Growth.....		12.08%	-0.31%	NA
House Price Appreciation.....		22.75%	10.10%	NA
Philadelphia PA-NJ PMSA				
Family Income.....	31,526	33,750	34,750	NA
House Price Index.....	112.26	118.67	128.86	NA
Income Growth.....		7.05%	2.96%	NA
House Price Appreciation.....		5.71%	8.59%	NA
Pittsfield MA				
Family Income.....	28,209	30,278	31,808	33,263
House Price Index.....	113.72	131.25	135.85	150.76
Income Growth.....		7.33%	5.05%	4.57%
House Price Appreciation.....		15.42%	3.50%	10.98%
Redding CA				

Growth in Incomes and Home Prices
By MSA for California, New Jersey, New York, Massachusetts

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Family Income.....	23,305	24,445	25,788	26,532
House Price Index.....	104.06	111.56	123.38	143.73
Income Growth.....		4.89%	5.49%	2.89%
House Price Appreciation.....		7.21%	10.60%	16.49%
Rochester NY				
Family Income.....	28,041	29,329	30,039	30,499
House Price Index.....	107.28	110.61	114.82	119.30
Income Growth.....		4.59%	2.42%	1.53%
House Price Appreciation.....		3.10%	3.81%	3.90%
Riverside-San Bernardino CA PMSA				
Family Income.....	21,760	22,810	23,668	24,073
House Price Index.....	117.80	128.41	140.54	161.45
Income Growth.....		4.83%	3.76%	1.71%
House Price Appreciation.....		9.01%	9.45%	14.88%
Sacramento CA				
Family Income.....	28,457	30,249	30,906	NA
House Price Index.....	114.89	131.11	150.88	NA
Income Growth.....		6.30%	2.17%	NA
House Price Appreciation.....		14.12%	15.08%	NA
Santa Barbara-Santa Maria-Lompoc CA				
Family Income.....	29,957	32,298	33,102	34,103
House Price Index.....	131.37	149.87	172.28	202.38
Income Growth.....		7.81%	2.49%	3.02%
House Price Appreciation.....		14.08%	14.95%	17.47%
Santa Cruz-Watsonville CA PMSA				
Family Income.....	33,735	39,153	38,551	38,323
House Price Index.....	146.40	180.43	192.03	232.89
Income Growth.....		16.06%	-1.54%	-0.59%
House Price Appreciation.....		23.24%	6.43%	21.28%
San Diego CA				
Family Income.....	30,236	32,797	33,926	34,872
House Price Index.....	129.50	149.53	166.98	195.41
Income Growth.....		8.47%	3.44%	2.79%
House Price Appreciation.....		15.47%	11.67%	17.03%
San Francisco CA PMSA				
Family Income.....	49,788	58,702	57,714	NA
House Price Index.....	147.63	180.31	189.10	NA

Growth in Incomes and Home Prices
By MSA for California, New Jersey, New York, Massachusetts

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Income Growth.....		17.90%	-1.68%	NA
House Price Appreciation.....		22.14%	4.87%	NA
San Jose CA PMSA				
Family Income.....	45,733	55,677	51,579	NA
House Price Index.....	157.14	202.94	204.06	NA
Income Growth.....		21.74%	-7.36%	NA
House Price Appreciation.....		29.15%	0.55%	NA
San Luis Ob/Atas/Paso Robles CA				
Family Income.....	25,675	27,459	29,112	30,145
House Price Index.....	127.82	152.07	173.38	200.64
Income Growth.....		6.95%	6.02%	3.55%
House Price Appreciation.....		18.97%	14.01%	15.72%
Springfield MA				
Family Income.....	25,793	27,578	28,543	29,302
House Price Index.....	114.60	121.28	132.05	146.17
Income Growth.....		6.92%	3.50%	2.66%
House Price Appreciation.....		5.83%	8.88%	10.69%
Santa Rosa CA PMSA				
Family Income.....	32,231	36,447	36,960	37,331
House Price Index.....	132.22	165.28	179.46	194.23
Income Growth.....		13.08%	1.41%	1.00%
House Price Appreciation.....		25.00%	8.58%	8.23%
Salinas CA				
Family Income.....	28,186	30,015	31,132	31,842
House Price Index.....	129.03	161.60	179.53	195.06
Income Growth.....		6.49%	3.72%	2.28%
House Price Appreciation.....		25.24%	11.10%	8.65%
Stockton-Lodi CA				
Family Income.....	22,867	24,213	24,056	24,119
House Price Index.....	114.93	135.98	156.76	171.09
Income Growth.....		5.89%	-0.65%	0.26%
House Price Appreciation.....		18.32%	15.28%	9.14%
Syracuse NY				
Family Income.....	25,663	27,007	27,233	28,257
House Price Index.....	106.45	111.19	116.43	124.64
Income Growth.....		5.24%	0.84%	3.76%
House Price Appreciation.....		4.45%	4.71%	7.05%

Growth in Incomes and Home Prices
By MSA for California, New Jersey, New York, Massachusetts

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Trenton NJ PMSA				
Family Income.....	36,168	39,455	40,193	40,711
House Price Index.....	113.57	123.77	137.92	155.43
Income Growth.....		9.09%	1.87%	1.29%
House Price Appreciation.....		8.98%	11.43%	12.70%
Utica-Rome NY				
Family Income.....	22,538	23,520	23,955	24,668
House Price Index.....	105.51	107.64	116.10	120.43
Income Growth.....		4.36%	1.85%	2.98%
House Price Appreciation.....		2.02%	7.86%	3.73%
Ventura CA PMSA				
Family Income.....	31,095	33,523	34,028	34,572
House Price Index.....	127.39	141.83	154.85	178.42
Income Growth.....		7.81%	1.51%	1.60%
House Price Appreciation.....		11.34%	9.18%	15.22%
Vallejo-Fairfield-Napa CA PMSA				
Family Income.....	27,069	29,280	29,289	NA
House Price Index.....	123.17	146.64	167.49	NA
Income Growth.....		8.17%	0.03%	NA
House Price Appreciation.....		19.05%	14.22%	NA
Vineland-Millville-Bridgeton NJ PMSA				
Family Income.....	22,499	23,371	24,584	25,856
House Price Index.....	109.42	113.99	122.25	130.79
Income Growth.....		3.88%	5.19%	5.17%
House Price Appreciation.....		4.18%	7.25%	6.99%
Visalia-Tulare-Porterville CA				
Family Income.....	19,134	19,571	20,703	21,193
House Price Index.....	106.05	106.91	114.32	122.63
Income Growth.....		2.28%	5.78%	2.37%
House Price Appreciation.....		0.81%	6.93%	7.27%
Worcester MA				
Family Income.....	29,429	32,604	33,305	33,229
House Price Index.....	127.50	144.45	163.06	183.76
Income Growth.....		10.79%	2.15%	-0.23%
House Price Appreciation.....		13.29%	12.88%	12.69%
Yolo CA PMSA				

Growth in Incomes and Home Prices
By MSA for California, New Jersey, New York, Massachusetts

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Family Income.....	26,084	27,547	27,332	NA
House Price Index.....	111.54	130.23	149.43	NA
Income Growth.....		5.61%	-0.78%	NA
House Price Appreciation.....		16.76%	14.74%	NA

Yuba City CA

Family Income.....	21,629	22,177	22,987	23,617
House Price Index.....	111.54	130.23	149.43	175.22
Income Growth.....		2.53%	3.65%	2.74%
House Price Appreciation.....		16.76%	14.74%	17.26%

"Income" is Per Capita Personal Income from the Bureau of Economic Analysis.
Home Price data from OFHEO Home Price Index (1980 Q1=100).